

PERRY CITY



Financial Statements

**Year Ended
June 30, 2007**

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2007

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2007**

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Steven F. Crane, CPA
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Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Report

Honorable Mayor and City Council
Perry City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City, as of and for the year ended June 30, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007 on our consideration of Perry City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The impact fee analysis on Page 39 is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crane, Christensen & Ambrose

December 27, 2007

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PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

The following is a discussion and analysis of Perry City's financial performance and activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-wide

- The City's combined net assets increased \$217,726 or 1.9 percent over the prior year. Business-type activities increased \$297,011 while governmental activities decreased \$79,285.

Governmental Fund Level

- Fund balances in the City's governmental funds decreased \$457,409 or 89.8 percent from the prior year due primarily to capital improvements, public safety, and administration costs that were not anticipated in the original budget.
- Total revenues were 37.4 percent higher overall than the prior year because of increased charges for services and tax revenues.

Proprietary Fund

- Total Utilities fund revenues were \$125,354 or 9.5% lower than fiscal year 2006. This was a result of decreased impact and connection fees for water and sewer.

Long-term Debt

- The City's long-term debt decreased from \$2,498,937 to \$2,382,125, or 4.7 percent, with principal reductions of bonds and notes payable totaling \$139,888 during 2007. Compensated absences payable were increased this year in the amount of \$23,076.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information concerning budgetary comparisons.

Government-wide Statements - Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Perry City's governmental activities include general administration, public safety, highways and public improvements, planning and zoning, health and social services, and interest on long-term debt. The City has one business-type activity which is related to the operation and maintenance of the City's utilities.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

Fund Financial Statements - Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about individual major funds, and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach:

Governmental Funds – The majority of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the City's financial position helps determine whether the city has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – The City uses an *Enterprise Fund* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has one enterprise fund, which is the Utilities Fund. The City also operates an internal service fund to account for the City's fleet operations.

Reconciliation Between Government-wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential for a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

Perry City adopts an annual budget for its governmental funds as well as its proprietary funds. A budgetary comparison schedule for the City's General Fund is included.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

A large component of the City's net assets, 83.7 percent, reflects investments in capital assets (land, buildings, improvements, infrastructure, and construction in progress, vehicles, and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Although the City's net assets increased \$217,726 as a whole, Net assets of governmental activities decreased \$79,285 or 1.4 percent over last year. Net assets of business-type activities increased in the amount of \$297,011, or 5.3 percent.

Restricted net assets comprise 11.5 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 4.8 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

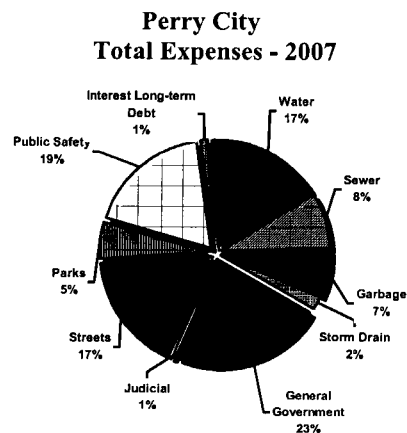
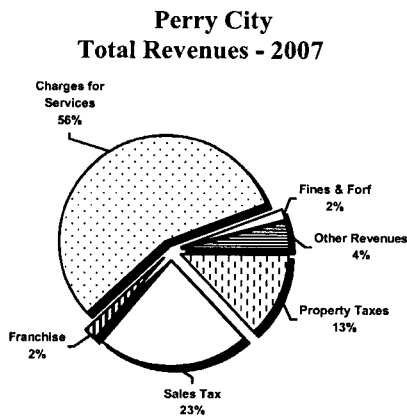
A summary of the net assets of the City is as follows:

Perry City - Net Assets						
June 30, 2007						
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 2,551,236	2,901,487	2,453,670	2,080,187	5,004,906	4,981,674
Capital Assets	7,612,689	7,263,572	4,090,973	4,166,122	11,703,662	11,429,694
Total Assets	10,163,925	10,165,059	6,544,643	6,246,309	16,708,568	16,411,368
Current and Other Liabilities	2,543,956	2,399,014	116,068	116,292	2,660,024	2,515,306
Long-term Liabilities	1,909,268	1,976,059	472,855	471,308	2,382,123	2,447,367
Total Liabilities	4,453,224	4,375,073	588,923	587,600	5,042,147	4,962,673
Net Assets:						
Invested in Capital Assets, Net Related Debt	5,730,689	5,293,243	4,037,458	3,645,926	9,768,147	8,939,169
Restricted	203,760	210,636	1,134,954	733,048	1,338,714	943,684
Unrestricted	(223,748)	286,107	783,308	1,279,735	559,560	1,565,842
Total Net Assets	\$ 5,710,701	5,789,986	5,955,720	5,658,709	11,666,421	11,448,695
Percentage change from prior year:	-1.37%	31.04%	5.25%	13.76%	1.90%	7.52%

Change in Net Assets

Total Revenues for 2007 decreased by 39.2 percent over last year, due in large part to a reduction in charges for services in the streets program. Program expenses increased 21.6% due to increased costs of utility administration and employee benefits costs.

Overall, the City's total net assets increased this year by \$217,726, or 1.9 percent as shown in the table comparing the City's revenues and expenses for fiscal year 2007:



PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

Perry City, Utah
Changes in Net Assets
For the Year Ended June 30, 2007

	Governmental		Business-type		TOTAL		Total Percent
	Activities		Activities				Change 2006- 2007
	2007	2006	2007	2006	2007	2006	
Revenues							
General Revenues							
Taxes	\$ 1,035,884	\$ 844,176	\$ -	\$ -	\$ 1,035,884	\$ 844,176	22.7%
Other Revenues/(Expenses)	68,875	89,823	46,624	1,292	115,499	91,115	26.8%
Program Revenues							
Charges for Services	371,389	2,257,212	1,150,003	1,320,689	1,521,392	3,577,901	-57.5%
Operating Grants	157,937	144,426	-	-	157,937	144,426	9.4%
Capital Grants	1,116	1,202	-	-	1,116	1,202	-7.2%
Total Revenues	1,635,201	3,336,839	1,196,626	1,321,981	2,831,827	4,658,820	-39.2%
Expenses							
Judicial	16,831	14,304	-	-	16,831	14,304	17.7%
Administration	587,077	419,401	-	-	587,077	419,401	40.0%
Public Safety	484,381	379,649	-	-	484,381	379,649	27.6%
Highways and Streets	455,343	367,392	-	-	455,343	367,392	23.9%
Parks	143,805	146,368	-	-	143,805	146,368	-1.8%
Interest on Long-Term Debt	27,049	184,869	-	14,738	27,049	199,607	-86.4%
Water	-	-	449,055	270,770	449,055	270,770	65.8%
Sewer	-	-	220,777	196,368	220,777	196,368	12.4%
Garbage	-	-	179,054	135,177	179,054	135,177	32.5%
Storm Drain	-	-	50,730	20,287	50,730	20,287	150.1%
Total Expenses	1,714,486	1,511,983	899,615	637,340	2,614,101	2,149,323	21.6%
Transfers In (Out)							
	-	-	-	-	-	-	0.0%
Change in Net Assets	(79,285)	1,824,856	297,011	684,641	217,726	2,509,497	-91.3%
Net Assets - Beginning (restated)	5,789,986	3,965,130	5,658,709	4,974,068	11,448,695	8,939,198	28.1%
Net Assets - Ending	\$ 5,710,701	\$ 5,789,986	\$ 5,955,720	\$ 5,658,709	\$ 11,666,421	\$ 11,448,695	1.9%

Governmental Activities

The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2007, these programs generated \$530,442 or 30.9 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,104,761 for program expenses.

As stated earlier, general fund tax collections increased from \$844,176 to \$1,035,844, or 22.7 percent, while other revenues, including investment interest, decreased from \$89,823 in 2006 to \$68,877 in 2007. Charges for services decreased \$1,885,823 primarily due to reduction in street function services. Operating grants increased 9.4 percent in 2007 over 2006.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

Expenditures increased by 40.0 percent in the Administration department, with increases of 27.6 and 23.9 percent in the Public Safety and Streets departments respectively.

Perry City, Utah Net Cost of Governmental Activities For Year Ended June 30, 2007						
	Total Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Total Expense	
	2007	2007	2007	2006	2007	2006
Governmental Activities						
Judicial	\$ 16,831	\$ 42,015	\$ (25,184)	\$ (15,769)	249.6%	210.2%
Administration	587,077	282,664	304,413	200,630	48.1%	52.2%
Public Safety	484,381	13,136	471,245	368,517	2.7%	2.9%
Streets	455,343	154,682	300,661	(1,740,486)	34.0%	573.7%
Parks	143,805	37,945	105,860	111,382	26.4%	23.9%
Interest on Long-term Debt	27,051	-	27,051	184,869	0.0%	0.0%
Total Governmental Activities	\$ 1,714,489	\$ 530,442	\$ 1,184,046	\$ (890,857)	30.9%	158.9%

Business-type Activities

Total Utilities Fund revenues for 2007 were \$1,196,627, a decrease of 12.9 percent over last year. 47.9 percent of total revenues were charges for sales and services. Impact and connection fees accounted for 48.2 percent, and investment earnings the other 3.9 percent. Total Expenditures increased by 41.2 percent or \$262,276. All departments performed at lower levels of revenues. Current year expenses include employee benefits, administration costs, repairs & maintenance, utilities, payments and depreciation expense.

Perry City Corporation Net Costs of Business-type Activities June 30, 2007						
	Total Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Total Expense	
	2007	2007	2007	2006	2007	2006
Business-type activities						
Water	\$ 449,055	\$ 553,438	\$ (104,383)	\$ (380,998)	123.2%	240.7%
Sewer	220,777	378,003	(157,226)	(228,933)	171.2%	216.6%
Garbage	179,054	163,509	15,545	(24,809)	91.3%	118.4%
Storm Drain	50,730	101,676	(50,946)	(63,347)	200.4%	412.3%
Total Business-type activities	\$ 899,615	\$ 1,196,626	\$ (297,011)	\$ (698,087)	133.0%	212.1%

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Perry City added \$660,772 in new capital assets during 2007. Of that total, Governmental Activities added \$175,022 for the purchase of land; \$57,278 for improvements; \$327,487 for infrastructure projects completed; \$55,500 in new city vehicles; and 2,911 in equipment. With accumulated depreciation of \$226,169, Government activities added a net total of \$217,007 to the City's governmental capital assets. The only addition to Business-type activities was \$42,574 to existing infrastructure. With accumulated depreciation of \$117,721, Business-type activities had a reduction of net capital assets of \$75,147.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

The City holds \$11,703,663 in Net Capital Assets. Of those, \$7,612,690 or 65.0 percent is held in Governmental Activity net capital assets. Business-type activities hold \$4,090,973 or 35.0 percent of total net Capital Assets. More information about capital assets is included in Note 4.

Long-term Debt

In 2007, Perry City made the final payment on a 2002 police vehicle. The repayment of bonds issued for water and sewer has continued, as well as the reduction of the special assessment bond to finance improvements at Pointe Perry. Principal obligations totaling \$139,888 were made during 2007. Compensated absences had a balance of \$31,487. As a whole, long-term liabilities decreased by \$116,812 or 4.67 percent during 2007. Long-term debt consisted of the following at June 30, 2007:

Perry City, Utah Long-term Liabilities June 30, 2007							
	Governmental Activities		Business-type Activities		TOTAL		Total Percent Change 2006- 2007
	2007	2006	2007	2006	2007	2006	
Bonds Payable	\$ 1,882,000	1,965,000	\$ 468,638	520,197	\$ 2,350,638	2,485,197	-5.41%
Capital Lease Payable	-	5,329	-	-	-	5,329	100.00%
Compensated Absences	27,268	5,730	4,219	2,681	31,487	8,411	274.36%
Total	\$ 1,909,268	1,976,059	\$ 472,857	522,878	\$ 2,382,125	2,498,937	-4.67%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2007 Perry City's governmental funds reported combined fund balances of \$52,228. Of this amount, \$22,337 is reserved for park impact fees, and \$119,262 is reserved for Debt Service. These amounts are unavailable for future spending. Unreserved amounts include deficits in fund balances of \$16,004 in the General Fund and \$51,030 in the Capital Projects Fund. No reservation was made for Class C Roads because all revenues received were expended.

The following chart presents the City's 2007 ending fund balances.

Perry City, Utah Fund Balances/Net Assets June 30, 2007						
	General Fund	Capital Improvements	Debt Service	Utilities Fund	Internal Service Fund	Total
Invested in Capital Assets	\$ -	-	-	4,037,458	170,483	\$ 4,207,941
Reserved/Restricted	23,880	-	119,262	1,134,954	-	1,278,096
Unreserved/Undesignated	(39,883)	(51,030)	-	783,308	(75,429)	616,965
Total	\$ (16,004)	(51,030)	119,262	5,955,720	95,054	\$ 6,103,002
Percent Change from Prior Year:	-105.03%	6.55%	-38.69%	5.25%	26.34%	-1.44%

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2007

General Fund

During 2007, the fund balance in the General Fund decreased \$385,723 or 105.0 percent due primarily to public safety and administration costs that were not anticipated in the original budget. Total revenues increased 18.7 percent with increases from all sources.

Total General Fund expenditures increased \$417,788 or 29.6 percent due to an overall increase in operating costs.

General Fund Budgetary Highlights

Perry City prepares its budget according to state statutes. The most significant budgeted fund is the General Fund. The City amended the General Fund budget during the year to meet the needs of the programs as issues arose. The significant changes to the original adopted budget included additional funds budgeted for the Streets and Parks departments.

Actual General Fund revenues were \$99,069 or 6.5 percent above the original budget and the final budget. Actual expenditures were \$48,908 or 2.6 percent below the final budget and \$161,092 or 9.6 percent below the original budget. The City was required to draw upon existing fund balance in the General Fund this year to cover its expenditures and transfers in the amount of \$385,723.

Capital Improvements Fund

Fund balance in the Capital Improvements Fund increased \$3,579 due to the transfer of necessary funds to complete capital projects.

Utilities Fund

The Utilities Fund has a total fund balance of \$5,955,720 which shows an increase of \$297,011 or 5.25% during 2007. While revenues of \$1,196,626 were lower than in 2006 by \$125,355 or 9.5 percent, they were sufficient to cover total expenses of \$899,615, an increase of \$262,275 or 41.2 percent over 2006.

Internal Service Fund

The Internal Service Fund maintains and allocates expenses for city vehicles to other funds. During 2007 its fund balance increased \$19,818 or 26.3 percent over 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Perry City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to the Perry City Treasurer, 5580 West 4600 South, Perry, Utah, 84315.

BASIC FINANCIAL STATEMENTS

**PERRY CITY
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 32,012	\$ 1,111,925	\$ 1,143,938
Receivables (net of allowance for uncollectibles):			
Accounts	1,889,655	73,137	1,962,791
Taxes	253,770	-	253,770
Due from other government units	209,297	-	209,297
Internal balances	(133,654)	133,654	-
Restricted cash	203,760	1,134,954	1,338,714
Total current assets	<u>2,454,839</u>	<u>2,453,670</u>	<u>4,908,509</u>
Noncurrent assets			
Capital assets:			
Land	363,847	173,579	537,426
Buildings	71,436	96,992	168,428
Infrastructure	7,975,628	-	7,975,628
Improvements	555,062	5,768,514	6,323,576
Machinery and equipment	114,784	170,203	284,987
Vehicles	445,703	3,800	449,503
Less: accumulated depreciation	(1,913,770)	(2,122,115)	(4,035,886)
Net capital assets	<u>7,612,689</u>	<u>4,090,973</u>	<u>11,703,662</u>
Deferred charge	96,397	-	96,397
Total noncurrent assets	<u>7,709,086</u>	<u>4,090,973</u>	<u>11,800,059</u>
Total assets	<u>10,163,925</u>	<u>6,544,643</u>	<u>16,708,568</u>
LIABILITIES			
Current liabilities			
Accounts payable	198,514	60,079	258,593
Accrued liabilities	100,755	-	100,755
Accrued interest payable	65,917	6,189	72,106
Deferred revenue	2,135,770	-	2,135,770
Customer deposits	43,000	49,800	92,800
Total current liabilities	<u>2,543,956</u>	<u>116,068</u>	<u>2,660,024</u>
Noncurrent liabilities			
Due within one year	98,000	47,326	145,326
Due in more than one year	1,811,268	425,530	2,236,798
Total noncurrent liabilities	<u>1,909,268</u>	<u>472,856</u>	<u>2,382,124</u>
Total liabilities	<u>4,453,224</u>	<u>588,923</u>	<u>5,042,148</u>
NET ASSETS			
Investment in general capital assets			
net of related debt	5,730,689	4,037,458	9,768,147
Restricted net assets	203,760	1,134,954	1,338,714
Unrestricted net assets	(223,748)	783,308	559,560
Total net assets	<u>\$ 5,710,701</u>	<u>\$ 5,955,720</u>	<u>\$ 11,666,421</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
Primary government:						
Governmental activities:						
Administration	\$ 587,077	\$ 281,414	\$ 1,250	\$ -	\$ (304,413)	\$ -
Public safety	484,381	10,131	2,005	1,000	(471,245)	-
Streets	455,343	-	154,682	-	(300,662)	-
Parks	143,805	37,829	-	116	(105,860)	-
Judicial	16,831	42,015	-	-	25,184	-
Interest on long-term debt	27,050	-	-	-	(27,050)	-
Total governmental activities	<u>1,714,488</u>	<u>371,389</u>	<u>157,937</u>	<u>1,116</u>	<u>(1,184,046)</u>	<u>(27,050)</u>
Business-type activities:						
Water	449,055	535,802	-	-	-	86,747
Sewer	220,777	350,892	-	-	-	130,114
Garbage	179,054	163,509	-	-	-	(15,544)
Storm drain	50,730	99,800	-	-	-	49,070
Total business-type activities	<u>899,616</u>	<u>1,150,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,387</u>
Total primary government	<u>\$ 2,614,103</u>	<u>\$ 1,521,392</u>	<u>\$ 157,937</u>	<u>\$ 1,116</u>	<u>(1,184,046)</u>	<u>250,387</u>
General revenues:						
Taxes:						
Property						
Sales						
Franchise and energy						
Payments in lieu of taxes						
Unrestricted investment earnings						
Gain on sale of assets						
Total general revenues						
Change in net assets						
Net assets - beginning (restated)						
Net assets - ending						

The notes to the financial statements are an integral part of this statement.

**PERRY CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 32,012	\$ -	\$ -	\$ 32,012
Receivables, net of allowances				
Accounts	6,900	-	1,882,754	1,889,655
Taxes	253,770	-	-	253,770
Due from other governments	209,296	-	-	209,296
Due from other funds	11,575	-	-	11,575
Restricted cash and cash equiv.	-	-	203,760	203,760
Total assets	<u>\$ 513,553</u>	<u>\$ -</u>	<u>\$ 2,086,514</u>	<u>\$ 2,600,067</u>
LIABILITIES				
Accounts payable	\$ 198,514	\$ -	\$ -	\$ 198,514
Accrued liabilities	34,273	-	66,482	100,755
Due to other funds	-	51,030	18,769	69,799
Deferred revenue	253,770	-	1,882,000	2,135,770
Customer deposits	43,000	-	-	43,000
Total liabilities	<u>529,557</u>	<u>51,030</u>	<u>1,967,251</u>	<u>2,547,839</u>
FUND BALANCE				
Reserved for:				
Class C road	-	-	-	-
Police impact Fees	347	-	-	347
Fire impact Fees	1,195	-	-	1,195
Park impact fees	22,337	-	-	22,337
Debt service	-	-	119,262	119,262
Unreserved, undesignated reported in:				
General fund	(39,883)	-	-	(39,883)
Capital projects	-	(51,030)	-	(51,030)
Debt service	-	-	-	-
Total fund balances	<u>(16,004)</u>	<u>(51,030)</u>	<u>119,262</u>	<u>52,228</u>
Total liabilities and fund balances	<u>\$ 513,553</u>	<u>\$ -</u>	<u>\$ 2,086,514</u>	<u>\$ 2,600,067</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balances - Governmental Funds \$ 52,228

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. These assets consist of the following:

Land	363,847	
Buildings	71,436	
Infrastructure and improvements	8,530,690	
Other capital assets	560,486	
Accumulated depreciation	<u>(1,913,770)</u>	
		7,612,689

Deferred charges such as unamortized bond issue costs are not financial resources and are, therefore, not reported in governmental funds.

96,397

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets. The capital assets are included in above. The following is the amount due to other funds:

(75,429)

Some liabilities are not due and payable in the current year and therefore are not reported in the governmental funds. These liabilities and related costs consist of the following:

Accrued interest payable	(65,916)	
Compensated absences	(27,268)	
Notes payable	<u>(1,882,000)</u>	
		<u>(1,975,184)</u>

Net Assets of Governmental Activities \$ 5,710,701

The notes to the financial statements are an integral part of this statement.

PERRY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes				
Property	\$ 355,831	\$ -	\$ -	\$ 355,831
Sales	549,740	-	-	549,740
Energy, Franchise	56,293	-	-	56,293
Licenses and permits	185,602	-	-	185,602
Intergovernmental	156,686	-	-	156,686
Charges for services	98,462	-	194,559	293,021
Fines and forfeitures	42,015	-	-	42,015
Impact fees	26,020	-	-	26,020
Sale of property	1,769	-	-	1,769
Investment earnings	56,984	138	9,987	67,109
Miscellaneous	95,678	-	-	95,678
Total revenues	<u>1,625,079</u>	<u>138</u>	<u>204,546</u>	<u>1,829,763</u>
EXPENDITURES:				
General government:				
Administration	570,099	-	-	570,099
Judicial	16,831	-	-	16,831
Public Safety	482,135	-	-	482,135
Streets	598,876	-	-	598,876
Parks	162,861	-	-	162,861
Capital outlay	-	175,022	-	175,022
Debt service:				
Principal	-	-	83,000	83,000
Interest and fiscal charges	-	1,538	196,811	198,349
Total expenditures	<u>1,830,802</u>	<u>176,560</u>	<u>279,811</u>	<u>2,287,172</u>
Excess (deficiency) of revenues over expenditures	<u>(205,723)</u>	<u>(176,422)</u>	<u>(75,265)</u>	<u>(457,409)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	180,000	-	180,000
Transfers (out)	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>180,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(385,723)	3,578	(75,265)	(457,409)
Fund balance at beginning of year (restated)	<u>369,719</u>	<u>(54,609)</u>	<u>194,527</u>	<u>509,637</u>
Fund balance at end of year	\$ <u>(16,004)</u>	\$ <u>(51,030)</u>	\$ <u>119,262</u>	\$ <u>52,228</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances-Total Governmental Funds \$ (457,409)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:

Capital outlay	509,787	
Depreciation expense	(186,358)	
		323,429

Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue (expense) of the the internal service fund is reported with governmental activities.		19,818
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount was:		83,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the following:

Accrued bond interest	(23,260)	
Amortization of deferred amounts	(3,325)	
Increase in compensated absences	(21,538)	
		(48,123)

Change in Net Assets of Governmental Activities		\$ <u>(79,285)</u>
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The notes to the financial statements are an integral part of this statement.

Proprietary Fund Financial Statements

Utility Fund

This enterprise fund accounts for the provision of sewer, water, garbage, and storm drain services to City residents. All activities necessary to provide such services are accounted for in this fund including, but not limited to: administration, operation, maintenance, billing, and collecting.

Internal Service Fund

This internal service fund accounts for the purchase and maintenance of the City's fleet of vehicles, and tracks the usage of those vehicles for the City's various departments and funds.

PERRY CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Enterprise Fund-Utilities	Governmental Activities- Internal Service Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,111,925	\$ -
Accounts receivable (net of allowance)	73,137	-
Due from other funds	133,654	-
Total current assets	<u>1,318,716</u>	<u>-</u>
Noncurrent assets		
Restricted cash for impact fees	1,134,954	-
Total restricted assets	<u>1,134,954</u>	<u>-</u>
Capital assets:		
Land	173,579	-
Buildings	96,992	-
Improvements	5,768,514	-
Machinery and equipment	170,203	9,430
Vehicles	3,800	415,792
Total capital assets	6,213,088	425,221
Less accumulated depreciation	<u>(2,122,115)</u>	<u>(254,738)</u>
Net capital assets	<u>4,090,973</u>	<u>170,483</u>
Total noncurrent assets	<u>5,225,927</u>	<u>170,483</u>
Total assets	<u>6,544,643</u>	<u>170,483</u>
LIABILITIES		
Current liabilities:		
Accounts payable	60,079	-
Due to other funds	-	75,429
Total current liabilities	<u>60,079</u>	<u>75,429</u>
Current liabilities payable from restricted assets:		
Revenue bonds payable	47,326	-
Accrued interest payable	6,189	-
Total current liabilities payable from restricted assets	<u>53,515</u>	<u>-</u>
Noncurrent liabilities		
Revenue bonds payable	421,311	-
Compensated absences	4,219	-
Deposits payable	49,800	-
Total noncurrent liabilities	<u>475,330</u>	<u>-</u>
Total liabilities	<u>588,923</u>	<u>75,429</u>
NET ASSETS		
Investment in general capital assets (net of related debt)	4,037,458	170,483
Restricted net assets	1,134,954	-
Unrestricted net assets	783,308	(75,429)
Total net assets	<u>\$ 5,955,720</u>	<u>\$ 95,054</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Enterprise Fund-Utilities	Governmental Activities-Internal Service Fund
OPERATING REVENUES:		
Charges for sales and services		
Water	\$ 226,694	\$ -
Sewer	155,767	-
Garbage	163,509	-
Storm drain	27,660	-
Interfund services	-	120,000
Total operating revenue	<u>573,631</u>	<u>120,000</u>
OPERATING EXPENSES:		
Water	364,809	-
Sewer	180,052	-
Garbage	172,984	-
Storm Drain	50,730	-
Depreciation	117,720	29,811
Fleet Lease	-	70,371
Total operating expenses	<u>886,295</u>	<u>100,182</u>
Operating income (loss)	<u>(312,664)</u>	<u>19,818</u>
NON-OPERATING REVENUES (EXPENSES):		
Impact, connection and other-water	309,107	-
Impact, connection and other-sewer	195,124	-
Impact, connection and other-storm drain	72,141	-
Investment Earnings	46,624	-
Interest and fiscal charges	(13,321)	-
Total nonoperating revenue (expenses)	<u>609,675</u>	<u>-</u>
Income before operating transfers	297,011	19,818
Transfers in	-	-
Transfers (out)	<u>-</u>	<u>-</u>
Change in net assets	297,011	19,818
Net assets, July 1	<u>5,658,709</u>	<u>75,236</u>
Net assets, June 30	<u>\$ 5,955,720</u>	<u>\$ 95,054</u>

The notes to the financial statements are an integral part of this statement.

**PERRY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business Activities Enterprise Fund-Utilities	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 577,277	\$ 120,000
Cash received from other activities	-	-
Cash payments to employees for services	(284,371)	(59,601)
Cash payments for goods and services	(437,256)	(17,035)
Net cash from operating activities	<u>(144,350)</u>	<u>43,364</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	-	-
Transfers (out)	-	-
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(44,055)	(55,500)
Other revenues	576,372	-
Due to other funds	-	8,709
Due from other funds	(78,509)	-
Payment on notes and leases payable	-	(5,329)
Payment on revenue bonds	(51,559)	-
Interest paid on notes and leases payable	-	-
Interest paid on revenue bonds	(12,580)	-
Net cash from capital and related financing activities	<u>389,670</u>	<u>(52,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	46,624	-
Net cash from investing activities	<u>46,624</u>	<u>-</u>
Net increase (decrease) in cash equivalents	291,944	(8,756)
Cash/equivalents at beginning of year	1,954,935	8,756
Cash/equivalents at end of year	<u>2,246,879</u>	<u>-</u>
Cash/equivalents, end of year (unrestricted)	1,111,925	-
Cash/equivalents, end of year (restricted)	1,134,954	-
Total cash/equivalents, end of year	<u>\$ 2,246,879</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (312,664)	\$ 19,818
Reconciliation adjustments:		
Depreciation	117,720	29,811
Changes in assets and liabilities:		
Change in accounts receivable	(3,031)	-
Change in deferred revenue	(13,165)	-
Change in deposits payable	30,800	-
Change in accounts payable	45,409	(3,546)
Change in wages payable and compensated absences	(9,419)	(2,719)
Total adjustments	<u>168,314</u>	<u>23,546</u>
Net cash provided by operating activities	<u>\$ (144,350)</u>	<u>\$ 43,364</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Perry conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Perry City operates under a traditional form of government and provides the following services: public safety (police and emergency medical), highways and street, water, sewer, storm sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criterion set forth by generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

- A. The primary government
- B. Organizations for which the primary government is financially accountable
- C. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete

Blended component units, although legally separate entities are, in substance, part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has no blended component units.

B. Government-wide And Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. (Continued)

goods, services, or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for *governmental* and *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column. Internal Service Funds, even though primarily benefiting governmental activities, are reported on the propriety fund financial statements below with the governmental activities.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **Capital Improvements Fund** – This fund accounts for financial resources to be used for the construction of major capital projects.
- **Debt Service Fund** – The Debt Service Fund is used to account for the receipt and payment of the Special Improvement bonds that were used for the Pointe Perry Project.

The City reports the following proprietary funds:

- **Utilities Fund** – The Utilities Fund is used to account for revenue and expenses for the City's Water, Sanitary Sewer System, Garbage, and Storm Sewer.
- **Internal Service Fund** – The Internal Service Fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the Internal Service Fund is included with the governmental activities.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those standards conflict with a GASB pronouncement.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. (Continued)

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are not reported until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for the General, Debt Service, Proprietary, and Capital Improvements Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. (Continued)

11. In connection with budget adoption:

- a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
- b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

12. Budgets for the General, Debt Service, Capital Improvements and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

E. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and fund balances/net assets..

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

Capital assets which include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles, infrastructure (roads, bridges, lighting and flood control and similar items) and construction on progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Individual assets with a cost greater than \$2,500 with a useful life of at least one year are capitalized.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. (Continued)

Infrastructure capital assets which are newly constructed are capitalized. The City has sewer system, parks, and public works construction costs which are recorded as Construction in Progress. Improvements to streets, storm drainage, land drain, and sanitary sewer that have been received from developers are depreciated over their expected useful lives.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure, and equipment is computed using the straight-line method. Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation has been provided over the estimated useful lives. The estimated useful lives are as follows:

Buildings.....	10-40 years
Improvements.....	5-40 years
Equipment.....	5-20 years
Vehicles.....	5-10 years
Infrastructure.....	20-80 years

Long-term Obligations

In the government-wide statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund statements, fund balances are classified as reserved, unreserved, designated, or unreserved undesignated. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be “designated” to represent management’s tentative plans for specific future uses.

F. Revenues and Expenditures

The following are the City’s significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be “available” when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Perry City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues,

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 1. (Continued)

including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which “a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.”

Deferred Revenue

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement #33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue. As of June 30, 2007, Perry City has deferred revenues of \$253,770 in the General Fund.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB NO. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue. Perry City received no contributions during 2007.

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2007 was \$31,487.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for Perry City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City’s deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 2. (Continued)

statutes require them to be. The City's bank balance at June 30, 2007 was \$109,196. These deposits are insured up to \$100,000.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2007.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
US Treasury obligations held by trustee	\$ 203,760	N/A	N/A
Utah Public Treasurer's Investment Fund	2,323,635	64 days*	not rated
Total	\$ 2,527,395		

* Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the City's investments are noted in the previous table.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

Total Cash and investments:

Deposits @ 6/30/07	\$ (44,783)
Investments	2,527,385
Cash on hand	50
	<u>\$ 2,482,652</u>

As reported in the financial statements:

Cash and cash equivalents	\$ 1,143,938
Restricted cash and cash equivalents	1,338,714
	<u>\$ 2,482,652</u>

The Utah Public Treasurer's Investment Fund (PTIF) is an external deposit and investment pool that governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of the fund shares.

NOTE 3. RECEIVABLES

Receivables at June 30, 2007 consist of the following:

	Taxes	Due From Other Governments	Accounts	Total
Governmental activities:				
General Fund	\$ 253,770	\$ 209,296	\$ 6,900	\$ 469,966
Debt Service Fund	-	-	1,882,755	1,882,755
Total receivables	<u>\$ 253,770</u>	<u>\$ 209,296</u>	<u>\$ 1,889,655</u>	<u>\$ 2,352,721</u>
Business-type activities:				
Utilities fund, net of allowance \$3,956	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,137</u>	<u>\$ 73,137</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

In governmental activities, the City expended \$443,176 during fiscal year 2007, which included \$327,487 for improvements to 2450 South, Allen Street, and School Road; \$19,264 for a new bowery; \$38,014 for a building improvement; and 55,500 in the fleet internal service fund for two new vehicles for the police department and a mower and backhoe for the utility department. A fully-depreciated parks vehicle was disposed of, removing \$10,000 from the capital assets schedule.

The only capital addition in the utilities enterprise fund was \$42,574 for storm drain improvements to the 2000 south access.

Perry City Corporation Capital Assets				
	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 188,825	\$ 175,022	\$ -	\$ 363,847
Construction in progress	40,000	-	(40,000)	-
Total capital assets, not being depreciated	<u>228,825</u>	<u>175,022</u>	<u>(40,000)</u>	<u>363,847</u>
Capital assets, being depreciated:				
Buildings	71,436	-	-	71,436
Improvements	497,784	57,278	-	555,062
Infrastructure	7,648,141	327,487	-	7,975,628
Furniture, machinery and equipment	111,873	2,911	-	114,784
Vehicles	403,114	55,500	(12,911)	445,703
Capital assets being depreciated	<u>8,732,348</u>	<u>443,176</u>	<u>(12,911)</u>	<u>9,162,613</u>
Less accumulated depreciation for:				
Buildings	(16,692)	(1,864)	-	(18,556)
Improvements	(296,427)	(26,109)	-	(322,536)
Infrastructure	(1,074,079)	(159,513)	-	(1,233,592)
Furniture, machinery and equipment	(67,062)	(6,673)	-	(73,735)
Vehicles	(243,341)	(32,010)	10,000	(265,351)
Total accumulated depreciation	<u>(1,697,601)</u>	<u>(226,169)</u>	<u>10,000</u>	<u>(1,913,770)</u>
Total capital assets being depreciated, net	<u>7,034,747</u>	<u>217,007</u>	<u>(2,911)</u>	<u>7,248,843</u>
Governmental activities capital assets, net	<u>\$ 7,263,572</u>	<u>\$ 392,029</u>	<u>\$ (42,911)</u>	<u>\$ 7,612,690</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 4. (Continued)

Business-type activities:

Capital assets, not being depreciated:

Land	\$ 173,579	\$ -	\$ -	\$ 173,579
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	173,579	-	-	173,579

Capital assets, being depreciated:

Buildings	96,992	-	-	96,992
Infrastructure	5,725,941	42,574	-	5,768,515
Furniture, machinery and equipment	170,203	-	-	170,203
Vehicles	3,800	-	-	3,800
Capital assets being depreciated	5,996,936	42,574	-	6,039,510

Less accumulated depreciation for:

Buildings	(6,062)	(2,425)	-	(8,487)
Infrastructure	(1,951,792)	(103,948)	-	(2,055,740)
Furniture, machinery and equipment	(42,741)	(11,348)	-	(54,089)
Vehicles	(3,800)	-	-	(3,800)
Total accumulated depreciation	(2,004,395)	(117,721)	-	(2,122,116)

Total capital assets being depreciated, net	3,992,541	(75,147)	-	3,917,394
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Business-type activities capital assets, net	\$ 4,166,120	\$ (75,147)	\$ -	\$ 4,090,973
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Depreciation expense for 2007 was charged to functions as follows:

	Governmental Activities	Business Activities	TOTAL
Administration	\$ 13,768	\$ -	\$ 13,768
Parks	15,663	-	15,663
Police	15,248	-	15,248
Fire	616	-	616
Streets	180,874	-	180,874
Sewer	-	70,925	70,925
Water	-	40,725	40,725
Storm Drain	-	6,071	6,071
Total depreciation expense	\$ 226,169	117,721	\$ 343,890

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 5. LONG-TERM DEBT

The changes in long-term debt for Governmental and Business-type activities during 2007 are as follows:

Governmental Activities

	Balance			Balance		
	June 30, 2006	Additions	Retirements	June 30, 2007	Due within One Year	
Bonds Payable	1,965,000	-	(83,000)	1,882,000	98,000	
Notes Payable	5,329	-	(5,329)	-	-	
Compensated Absences	5,730	27,268	(5,730)	27,268	-	
Total	<u>\$ 1,976,059</u>	<u>\$ 27,268</u>	<u>\$ (94,059)</u>	<u>\$ 1,909,268</u>	<u>\$ 98,000</u>	

Business-type Activities

Bonds Payable	520,196	-	(51,559)	468,637	47,326	
Compensated Absences	2,681	4,219	(2,681)	4,219	-	
Total	<u>\$ 522,877</u>	<u>\$ 4,219</u>	<u>\$ (54,240)</u>	<u>\$ 472,856</u>	<u>\$ 47,326</u>	

Annual requirements to amortize the long-term debt as of June 30, 2007 are as follows:

In 1998, the City issued \$640,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the Utilities fund. The bonds were dated January 1, 2000 and mature on January 1, 2019 and bear interest at a rate of 2.56%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2008	30,000	10,778	40,778	2.56%
2009	31,000	10,010	41,010	2.56%
2010	32,000	9,216	41,216	2.56%
2011	33,000	8,397	41,397	2.56%
2012	34,000	7,552	41,552	2.56%
2013	35,000	6,682	41,682	2.56%
2014	35,000	5,786	40,786	2.56%
2015	36,000	4,890	40,890	2.56%
2016	37,000	3,968	40,968	2.56%
2017	38,000	3,020	41,020	2.56%
2018	39,000	2,048	41,048	2.56%
2019	41,000	1,050	42,050	2.56%
	<u>\$ 421,000</u>	<u>\$ 73,397</u>	<u>\$ 494,397</u>	

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 5. (Continued)

In 1984, the City issued \$210,000 in Revenue Sewer Bonds to finance additional sewer construction. The bonds are to be repaid from sewer sales from the Utilities fund. The bonds were dated January 1, 1984 and mature on January 1, 2008, and bear interest at a rate of 5.00%. The following is the remainder of the debt schedule due to be retired during the upcoming fiscal year.

Year	Principal	Interest	Total	Interest Rate
2008	8,500	425	8,925	5.00%
	<u>\$ 8,500</u>	<u>\$ 425</u>	<u>\$ 8,925</u>	

In 1992, the City issued \$150,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the Utilities fund. The bonds were dated June 5, 1992 and mature on January 1, 2011, and bear interest at a rate of 3.00%. The following is a debt schedule over the remaining period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2008	8,826	1,174	10,000	3.00%
2009	9,091	909	10,000	3.00%
2010	9,363	637	10,000	3.00%
2011	11,857	356	12,213	3.00%
	<u>\$ 39,137</u>	<u>\$ 3,076</u>	<u>\$ 42,213</u>	

On August 11, 2005, the City issued special assessment bonds in the amount of \$1,965,000 at a variable rate of interest based on 70% of the one month LIBOR as computed each year on the anniversary date. These bonds were issued to retire the interim warrants used to finance improvements at Pointe Perry and will be repaid by the developer through refunds of assessed property taxes and sales taxes. The interest rate for the fiscal year ended June 30, 2007 was 4.74%. The final payment is due October 1, 2020. The following is a debt schedule over the period of the bonds:

Year	Principal	Interest	Total	Interest Rate
2008	98,000	87,889	185,889	4.74%
2009	103,000	83,313	186,313	4.74%
2010	108,000	78,503	186,503	4.74%
2011	113,000	73,459	186,459	4.74%
2012-2016	647,000	283,282	930,282	4.74%
2017-2021	813,000	117,405	930,405	4.74%
	<u>\$ 1,882,000</u>	<u>\$ 723,851</u>	<u>\$ 2,605,851</u>	

The remaining long-term debt consists of compensated absences in the amount of \$31,487.

In May, 2007, the City retired the final payment of \$5,329 for a police vehicle purchased in 2002 at a total cost of \$26,268.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 6. RESERVATIONS OF FUND BALANCE

Reserved for Class "C" Road – This represents the excess of Class "C" Road funds received over the amount spent.

Reserved for Park Impact Fees – This represents the excess of Park Impact Fee funds received over the amount spent.

Reserved for Police Impact Fees – This represents the excess of Police Impact Fee funds received over the amount spent.

Reserved for Fire Impact Fees – This represents the excess of Fire Impact Fee funds received over the amount spent.

Reserved for Debt Service – This represents funds set aside for the repayment of debt over the amount repaid.

NOTE 7. RISK MANAGEMENT

Perry City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2007, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 8. RETIREMENT PLANS

A. Pension Plans

Plan Description: Perry City Corporation contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System, Perry City Corporation is required to contribute 11.62% of employees' annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage, contributory division members are required to contribute 12.29% of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 7.7% of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than an "Agency Fund" as previously reported. Now all of

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 8. (Continued)

the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The Retirement Systems no longer provides a Statement of Changes in Assets and Liabilities for the 457 Plan because the assets are no longer assets of the employer and are not to be included in the employer financial statements. City employees contributed \$2,950 to a 457 Plan during the year ended June 30, 2007.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2007, 2006, and 2005 were \$43,025, \$33,056, and \$27,408 respectively, and for the Public Safety Retirement System the contributions for June 30, 2007, 2006, and 2005 were \$38,379, \$25,823, and \$30,881 respectively.

The City sponsors a 401k deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$33,713 to this plan during the year ended June 30, 2007, and the employees contributed \$10,885. City employees also contributed \$1,200 to a Roth IRA Plan during the year ended June 30, 2007.

Parameters of the retirement plans in place for Perry City are as follows:

NOTE 9. PROPERTY TAX CALENDAR

Lien date.....	January 1st
Taxing entity notifies the County of date, time, and place of public hearing.....	March 1st
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year.....	1st scheduled Council Meeting in May
County Auditor sends valuation certified tax rate and levy worksheets to each taxing entity.....	June 8th
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.....	Before June 22nd
Taxing entity adopts a final tax rate if there is no increase in certified tax rate.....	June 22nd
Taxing entity adopts final budget if there is no increase in certified tax rate.....	June 22nd
Copy of the budget is submitted to State Auditor within 30 days of adoption payment and delinquency date.....	July 22 nd

NOTE 10. BUDGET COMPLIANCE AND ACCOUNTABILITY

The following departments had expenditures in excess of budget:

	Actual	Budget	Variance
GEN GOVERNMENT	570,099	515,502	(54,597)
PARKS	162,861	153,715	(9,146)
PUBLIC SAFETY	482,135	435,092	(47,043))

The following funds had a deficit fund balance:

General Fund	\$ 16,004
Capital Improvements Fund	\$ 51,030

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

These deficits are primarily a result of capital improvements, public safety, and administration costs that were not anticipated in the original budget. The City plans to generate additional revenues in the next fiscal year to eliminate these deficits.

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUND

The City maintains one Public Utilities Fund which provides water, sewer, and garbage. Segment information for the year ended June 30, 2007 was as follows:

	Water	Sewer	Garbage	Storm Drain	Total
Operating revenues:					
Charges for service	\$ 226,694	\$ 155,767	\$ 163,509	\$ 27,660	\$ 573,631
Operating expenses, excl depreciation	(364,809)	(180,052)	(172,984)	(50,730)	(768,576)
Depreciation	(70,925)	(40,724)	-	(6,071)	(117,720)
Operating income	(209,039)	(65,009)	(9,475)	(29,141)	(312,664)
Non-operating revenues:					
Interest expense	(12,246)	(1,075)	-	-	(13,321)
Impact fees	309,107	195,124	-	72,141	576,372
Interest income	17,637	27,112	-	1,875	46,624
Operating transfer in (out)	-	-	-	-	-
Change in net assets	105,459	156,152	(9,475)	44,875	297,011
Beginning net assets	1,742,214	3,153,704	268,847	493,944	5,658,709
Ending net assets	\$ 1,847,673	\$ 3,309,856	\$ 259,372	\$ 538,819	\$ 5,955,720

NOTE 12. RECONCILIATION DUE TO/DUE FROM BALANCES

The following tables provides a reconciliation of all due to/due from accounts:

	General Fund	Utilities Fund	Capital Improve Fund	Debt Service Fund	Internal Service Fund	TOTAL DUE TO	TOTAL DUE FROM
Due from Internal Service Fund	11,575	63,854	-	-	-	-	75,429
Due from Capital Improve Fund	-	51,030	-	-	-	-	51,030
Due from Debt Service Fund	-	18,769	-	-	-	-	18,769
Due to General Fund	-	-	-	-	11,575	11,575	-
Due to Utilities Fund	-	-	51,030	18,769	63,854	133,653	-
	\$ 11,575	\$ 133,653	\$ 51,030	\$ 18,769	\$ 75,429	\$ 145,228	\$ 145,228

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE 13. RESTATEMENT

Beginning fund balance in the General Fund and beginning net assets in the entity-wide Statement of Net Assets were restated to include prior year revenues not yet recognized. Fund balance was increased by \$51,408.

Beginning Net Assets was restated to also include an adjustment for long term bonds not previously recorded, and therefore decreases net assets by \$1,913,592.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PERRY CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$	\$	\$	\$
Property	313,010	313,010	355,831	42,821
Sales	470,000	470,000	549,740	79,740
Energy, Franchise	52,300	52,300	56,293	3,993
Licenses and permits	142,800	142,800	185,602	42,802
Intergovernmental	172,000	172,000	156,686	(15,314)
Charges for services	43,300	43,300	98,462	55,162
Fines and forfeitures	29,000	29,000	42,015	13,015
Impact fees	25,000	25,000	26,020	1,020
Sale of property	150,000	150,000	1,769	(148,231)
Investment earnings	120,000	120,000	56,984	(63,016)
Miscellaneous	8,600	8,600	95,678	87,078
Total revenues	<u>1,526,010</u>	<u>1,526,010</u>	<u>1,625,079</u>	<u>99,069</u>
EXPENDITURES:				
Administration				
Council	7,300	7,300	4,325	2,975
Inspection	10,000	10,000	21,742	(11,742)
Other	498,202	498,202	544,032	(45,830)
Total administration	<u>515,502</u>	<u>515,502</u>	<u>570,099</u>	<u>(54,597)</u>
Judicial				
Judicial	21,500	21,500	16,831	4,669
Total Judicial	<u>21,500</u>	<u>21,500</u>	<u>16,831</u>	<u>4,669</u>
Public safety				
Police	375,592	375,592	447,148	(71,556)
Fire	56,500	56,500	28,918	27,582
Animal Control	3,000	3,000	6,069	(3,069)
Total public safety	<u>435,092</u>	<u>435,092</u>	<u>482,135</u>	<u>(47,043)</u>
Streets				
Streets	553,901	753,901	598,876	155,025
Total streets	<u>553,901</u>	<u>753,901</u>	<u>598,876</u>	<u>155,025</u>
Parks				
Parks	143,715	153,715	162,861	(9,146)
Total parks and recreation	<u>143,715</u>	<u>153,715</u>	<u>162,861</u>	<u>(9,146)</u>
Total expenditures	<u>1,669,710</u>	<u>1,879,710</u>	<u>1,830,802</u>	<u>48,908</u>
Excess (deficiency) of revenues over expenditures	<u>(143,700)</u>	<u>(353,700)</u>	<u>(205,723)</u>	<u>147,977</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	(180,000)	(180,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
Excess (deficiency) of revenues/sources over (under) expenditures/uses	<u>(143,700)</u>	<u>(533,700)</u>	<u>(385,723)</u>	<u>147,977</u>
Fund balance at beginning of year	<u>369,719</u>	<u>369,719</u>	<u>369,719</u>	<u>-</u>
Fund balance at end of year	<u>\$ 226,019</u>	<u>\$ (163,981)</u>	<u>\$ (16,004)</u>	<u>\$ 147,977</u>

SUPPLEMENTARY INFORMATION

PERRY CITY CORPORATION
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2007

The state of Utah requires the following information on impact fees to be reported in the supplemental data section of the financial statements.

The City has implemented the collection of impact fees on new development for parks, police and fire projects, water distribution, sewer collection, and storm drain distribution. The fees are collected to expand the respective infrastructure as outlined in a properly approved capital facilities plan to handle new growth. If the City does not expend the impact fees within five years of collection, the fees must be rebated back to the property owners or the fees must be designated for a project by the City Council and spent within the designated time frame.

As of June 30, 2007, the impact fees outstanding were as follows:

Year							
Collected	Parks	Police	Fire	Water	Sewer	Storm Drain	Total
2005	-	-	-	-	181,553	-	181,553
2006	-	-	-	217,504	242,851	-	460,355
2007	22,337	347	1,195	250,396	218,654	23,996	516,925
Total	22,337	347	1,195	467,900	643,058	23,996	1,158,833

The City collected impact fees for new park development. During 2007, a new bowery was constructed at a cost of \$19,264 using impact fees. All impact fees are designated for expenditure in fiscal year 2008 for new park development.

The City collected impact fees for the public safety programs (police and emergency services). No funds were spent in fiscal year 2007.

Water:

The City collects water impact fees for development and improvements on the existing system. \$9,340 was spent in 2007 for an impact fee study to analyze and facilitate the use of water impact fees. All impact fees are designated for expenditure in fiscal year 2008 for water system development and improvements.

Sewer:

The City collects sewer impact fees for development and improvements on the existing system. \$500 was spent in 2007 for an impact fee study to analyze and facilitate the use of sewer impact fees. All impact fees are designated for expenditure in fiscal year 2008 for sewer system development and improvements.

Storm drain:

The City collects storm drain impact fees for development and improvement on the existing system. In 2007, \$42,574 was spent for improvements to the 2000 South Access, and \$500 was spent for an impact fee study to analyze and facilitate the use of storm drain impact fees. All impact fees are designated for expenditure in fiscal year 2008 for storm drain development and improvements.

AUDITORS' REPORTS



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Mayor and City Council
Perry City

We have audited the financial statements of Perry City as of and for the year ended June 30, 2007, and have issued our report thereon dated December 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perry City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perry City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Perry City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Perry City's financial statements that is more than inconsequential will not be prevented or detected by Perry City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Perry City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use management, Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen + Ambrose

December 27, 2007

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Steven F. Crane, CPA
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Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
Perry City

We have audited the general purpose financial statements of Perry City for the year ended June 30, 2007, and have issued our report thereon dated December 27, 2007.

Our audit included test work on Perry City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations

Liquor Law Enforcement
B & C Road Funds
Other General Issues
Uniform Building Code Standards
Impact Fees

The management of Perry City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Perry City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2007.

Crane, Christensen & Ambrose

December 27, 2007

PERRY CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The City had departments that overspent their budgets for the year.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the City monitor its budget more closely to make sure that all departments and funds operate with budgeted amounts.

CITY'S REPLY: The overage was the result of unexpected year-end accruals which the City will try to anticipate better in the future.

PROGRAM: GENERAL COMPLIANCE – FUND BALANCE

FINDING: The fund balances of the City's general fund and capital projects fund are in deficits at year-end.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to bring the fund balance into statutory limitations.

CITY'S REPLY: The City will budget to bring the funds back into compliance.